



RISING BEYOND//ANNUAL REPORT

MISSOURI CONSOLIDATED HEALTH CARE PLAN // A COMPONENT UNIT OF THE STATE OF MISSOURI // FISCAL YEAR 2010 COMPREHENSIVE ANNUAL FINANCIAL REPORT



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Missouri Consolidated Health Care Plan
A Component Unit of the State of Missouri
Fiscal Year 2010 Comprehensive Annual Financial Report
Report prepared by Fiscal Affairs Department



INTRODUCTION// LAYING THE FOUNDATION



Letter from the Executive Director

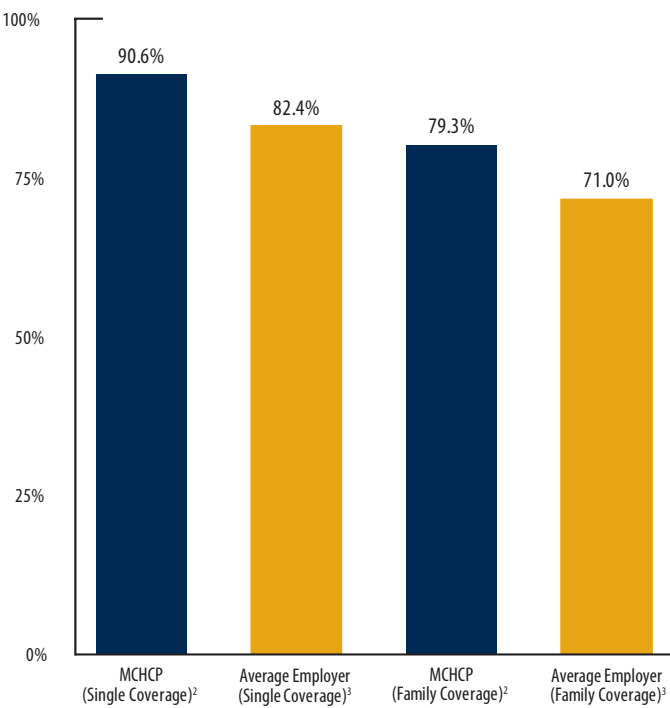
It is with great pleasure that I submit the annual report of the Missouri Consolidated Health Care Plan (MCHCP) for the period ended June 30, 2010. MCHCP is a component unit of the state of Missouri for financial reporting purposes, and, as such, the financial reports are also included in the state of Missouri Comprehensive Annual Financial Report. The financial information presented in this report is the responsibility of MCHCP management, and sufficient internal accounting controls exist to provide a reasonable assurance regarding safekeeping of assets and fair presentation of the financial statements, supporting schedules and statistical tables. The report is also designed to comply with the provisions of Section 103.025 of the Missouri Revised Statutes (RSMo), as amended.

Challenging economic times have dictated decisive action to continue to offer comprehensive and affordable health care to the more than 107,000 active state employees and retirees, public entity employees and their dependents who enjoy membership in MCHCP. During fiscal year 2010, net general revenue collections for the State of Missouri declined 9.1 percent compared to fiscal year 2009, from \$7.45 billion to \$6.77 billion.¹ As the State of Missouri, through employer contributions to MCHCP during fiscal year 2010, remained the largest source of funding for health care for state employees, at more than \$431 million for both the Plan and the State Retiree Welfare Benefit Trust (SRWBT), designing programs to enhance our members' health has never been more critical to our success. The State's financial commitment to MCHCP remains the backbone of support for our health plan offerings. State contributions continue to outpace the average employer contribution to health coverage. Member contributions from state employees and retirees totaled more than \$123 million, and revenue from our public entity enrollment was more than \$10 million for the period ended June 30, 2010. Additional financial information can be found in the management discussion and analysis, and financial statements included in this report.

Care management was prevalent in the changes incorporated during fiscal year 2010. MCHCP embraced a more aggressive approach to wellness initiatives in 2010, directed at engaging members' ownership of their health through the *Lifestyle Ladder* program. Employees earned points and received lower premiums by engaging in wellness programs in nutrition and fitness, and online resources addressed their health concerns. This initiative will continue to grow in 2011. In the past, return on investment in wellness and lifestyle programs remained largely a cost-avoidance mechanism; however, claims cost trends receive favorable actuarial consideration when these programs exist. I believe that strong efforts to promote employee consumerism and wellness will advance our efforts to promote healthier Plan outcomes and assist in reducing overall health care costs.

Keeping track of health benefits and plan information has never been easier for our members. During 2010, MCHCP added a dual-authentication login to myMCHCP, the member-only area of our

2010 Employer Share of Active Employee Health Insurance Premium



website, to further increase the security of members' individual protected health information. By visiting www.mchcp.org, members can open doors to a range of information — from the latest on employee coverage to tutorials on getting the most from their health benefits. While members surf www.mchcp.org, they can log in to myMCHCP to verify or modify their contact information, and those enrolled in a plan through UMR, a subsidiary of United Healthcare, can directly access medical claims. Through our *Go Green* initiative, more than 43,000 members have opted to receive MCHCP information electronically. This initiative bolsters our desire to provide state-of-the-art access to information while achieving administrative savings through reductions in printing and postage costs.

For the 15th year in a row, MCHCP was pleased to receive the Government Finance Officers Association of the United States and Canada (GFOA) Certificate of Achievement for Excellence in Financial Reporting for its comprehensive annual financial report for the year ended June 30, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. To qualify, a government entity must publish a report conforming to all GFOA standards. The Certificate of Achievement is valid for a period of one year only. MCHCP will continue to strive for such recognition with submission of our current report for consideration to GFOA.

The report is a product of the combined efforts of MCHCP staff and the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, for determining compliance with legal provisions, and for evaluating the condition of the fund. MCHCP has received an unqualified opinion from our independent auditors, whose report can be found on Page 18.

This report is provided to the Governor, the State Auditor, members of the General Assembly, all state agencies and all participating public entities, and may be viewed at www.mchcp.org. The cooperation and support of these individuals and agencies help contribute to our success. Also, for the Board of Trustees, I would like to express sincere gratitude to the staff and advisors who have worked so diligently to ensure the success of the Missouri Consolidated Health Care Plan during this past year.

In closing, I look forward to the opportunities and challenges facing MCHCP. I welcome your suggestions for the continued success of the Plan.

Sincerely,



Richard Bowles
Executive Director
December 6, 2010

¹ State of Missouri Fiscal Year 2010 General Revenue Report

² MCHCP actual enrollment and contribution strategy

³ Kaiser Family Foundation and the Health Research & Educational Trust, "2010 Employer Health Benefits Survey," September 2010

Professional Services

Auditors

Williams Keepers, LLC
Heidi A. Chick, C.P.A.
Kelly Schwartze, C.P.A.

Banking

Central Trust Bank
David Meyer, C.P.A.

Consulting

Watson Wyatt Worldwide
Steve Korbecki
John Stahl

Dental Program

Delta Dental

Disease Management Program

CareAllies
UMR

Employee Assistance Program

Magellan Health Services

Health Maintenance Organization (HMO)

Coventry Health Care of Kansas
Mercy Health Plans

Health Savings Account (HSA)

Central Bank
Optum Health Bank

High Deductible Health Plan (HDHP)

UnitedHealthcare
UMR

Medicare Supplement Plan

UMR

Pharmacy Benefit Manager

Express Scripts, Inc.

Preferred Provider Organization (PPO)

Coventry Health Care
UMR

Vision Program

Vision Service Plan

Wellness Program

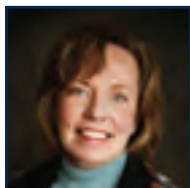
Gordian Health Solutions, Inc.
StayWell Health Management

Executive Team



Executive Director
Richard Bowles

By statute, the Executive Director has charge of the offices, records and employees of the plan, subject to the direction of the board.



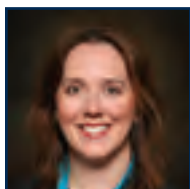
Chief Operations Officer
Judith Muck

Responsible for daily management of the plan including customer service, communications, member records, quality, research and information technology services sections.



General Counsel
June Striegel Doughty

Represents and advises the Board of Trustees and MCHCP, serves as the plan's Privacy Officer and is responsible for human resources, internal audit and compliance sections.



Chief Fiscal Officer
Stacia Fischer

Responsible for budget, financial statements and records of the plan, purchasing, banking services, and financial interfaces with outside entities.

Letter from the Chairman

I am pleased to present to you, on behalf of the Board of Trustees, the Comprehensive Annual Financial Report for the Missouri Consolidated Health Care Plan (MCHCP) for the period ending June 30, 2010.

“Employer-sponsored insurance is the leading source of health insurance, covering about 157 million nonelderly people in America.”¹ With a membership of more than 107,000 state and public entity employees and their dependents, MCHCP faces many of the same opportunities and challenges seen by large employer groups. As the economic climate and health care landscape shift, the MCHCP remains dedicated to offering comprehensive health benefits even during these most challenging of economic times.

Although Missouri is not exempt from budgetary challenges, the State of Missouri remains the single largest revenue source in support of MCHCP’s health offerings. During fiscal year 2010, over 73 percent of total MCHCP revenues were contributed by the State of Missouri, the employer. This support allowed MCHCP to offer active employees a comprehensive benefit package in calendar year 2010 at comparable premiums to calendar year 2009. Additionally, MCHCP was able to maintain the same level of contribution in calendar year 2010 for active employees and retirees as was available in calendar year 2009. Not alone, MCHCP’s members have been steadfast in their commitment to reducing health care costs and employing consumerism in advocating for healthier outcomes through their involvement in MCHCP’s wellness program, *Lifestyle Ladder*. During 2010, over 35 percent, more than 20,200 unique participants, enrolled in a wellness opportunity to improve their overall health. We salute those employees “Rising Beyond,” as the theme of our annual report notes, and challenge others to participate in working toward a healthier and improved quality of life.

Efficient operations and state-of-the-art customer service remain our commitment to both our state and public entity membership. For the fiscal period ended June 30, 2010, MCHCP administrative expenses, including third-party claims administration fees, were reduced by over 12 percent. These operational savings were achieved while MCHCP teams improved statewide outreach by leading more than 150 benefit meetings and servicing more than 97,000 phone calls and e-mails in our dedicated call center. These are operational standards we work hard to achieve and believe you, our valued members, have come to expect.

On behalf of the Board of Trustees, we thank our staff and those who have joined with us this past year. The Board welcomes your comments and suggestions to improve the future of MCHCP.

Sincerely,



John M. Huff
Chairman
Board of Trustees
December 6, 2010

¹ Kaiser Family Foundation, Kaiser Commission on Medicaid and the Uninsured, “The Uninsured: A Primer,” October 2009

Certificate of Achievement



Board of Trustees



Honorable Frank Barnitz
Missouri Senate,
Lake Spring

Appointed by the President
Pro Tem of the Senate

Committees: Benefits,
Budget and Investment



Honorable Eric Burlison
Missouri House of
Representatives,
Springfield

Appointed by the Speaker of
the House of Representatives



Honorable Tom Dempsey
Missouri Senate,
St. Charles

Appointed by the President
Pro Tem of the Senate

Committees: Executive,
Legislative and Strategic
Planning



Margaret T. Donnelly
Director, Department of
Health and Senior Services,
Jefferson City

Ex Officio Member

Committees: Audit,
Benefits, Personnel



John M. Huff
Chairman

Director, Department
of Insurance, Financial
Institutions and Professional
Registration, Jefferson City

Ex Officio Member

Committees: Appeals,
Audit, Benefits



Nikki Loethen
Legal Counsel,
Office of Administration,
Jefferson City

Governor Appointed Member

Committee: Appeals



Kaye Newsome

Vice Chairperson

Area Vice President,
CareCentrix,
Overland Park, Kansas

Governor Appointed Member

Committees: Benefits,
Personnel



Carla Owens Brazier

Director of Communications
and Public Affairs, Jim
Casey Youth Opportunities
Initiative, St. Louis

Governor Appointed Member

Committees: Executive,
Legislative and Strategic
Planning



Kelvin L. Simmons

Commissioner,
Office of Administration,
Jefferson City

Ex Officio Member

Committees: Budget and
Investment, Executive,
Legislative and Strategic
Planning



Honorable Terry Swinger

Missouri House of
Representatives,
Caruthersville

Appointed by the Speaker of
the House of Representatives

Committees: Appeals,
Personnel



Garry Taylor

Principal Owner, GETCo
Consulting Service
Missouri State Retiree,
Jefferson City

Governor Appointed Member

Committees: Audit,
Budget and Investment



Michael Warrick

General Counsel, Missouri
Department of Agriculture,
Jefferson City

Governor Appointed Member

Committee: Personnel

Summary of Plan Provisions

Established January 1, 1994, the Missouri Consolidated Health Care Plan (MCHCP) is governed by the statutes of the State of Missouri.

Purpose

MCHCP was created to provide health care benefits to state active employees, retirees, terminated vested employees, long-term disability recipients, survivors and their dependents, and to eligible Missouri public entity employers. Currently, MCHCP administers medical benefits and an employee assistance program (EAP) for most eligible members of the Missouri State Employees' Retirement System, members of the Judicial Retirement Plan, legislators, statewide elected officials and certain members of the Public School Retirement System, as well as enrolled Missouri public entities. In addition, dental and vision benefits are available to state employees including the Departments of Conservation and Transportation, and the Missouri State Highway Patrol. MCHCP is a nonprofit entity responsible for administering the law in accordance with the expressed intent of the General Assembly and bears a fiduciary obligation to the State of Missouri, the taxpayers and its members.

Administration

This is a summary of the Missouri Revised Statutes (RSMo), as amended, which governs the programs MCHCP administers. It does not amend or overrule any applicable statute or administrative rule, and, in the event of a conflict, the applicable statute or rule applies.

The statutes provide that the administration of MCHCP be vested in a 13-member Board of Trustees. The Board is composed of:

- The Director of the Department of Health and Senior Services, serving ex officio
- The Director of the Department of Insurance, Financial Institutions and Professional Registration, serving ex officio
- The Commissioner of the State Office of Administration, serving ex officio
- Two members of the Senate, appointed by the President Pro Tem of the Senate
- Two members of the House of Representatives, appointed by the Speaker of the House of Representatives
- Six members appointed by the Governor with the advice and consent of the Senate. Of the six members appointed by the Governor, three

shall be residents of the State of Missouri who are not members of the plan but who are familiar with medical issues. The remaining three members of the Board shall be members of the plan

- The management of MCHCP is the responsibility of the Executive Director, who is appointed by the Board of Trustees and serves at its pleasure
- The Executive Director acts as advisor to the Board on all matters pertaining to MCHCP and, with the approval of the Board, contracts for professional services and employs the staff needed to operate the organization

Medical Insurance

MCHCP offers insurance coverage to state and public entity members. Preferred Provider Organizations (PPO), Health Maintenance Organizations (HMO), and High Deductible Health Plans with Health Savings Accounts (HDHP with HSA) are available to state members. Plan offerings may vary by region. Point of Service (POS), HMO, PPO, and HDHP with HSA plans are offered to public entity members.

Health Maintenance Organization (HMO)

An HMO is a health care delivery system that utilizes a network of providers to provide all necessary health care. The network includes physicians, hospitals, laboratories and other ancillary providers. In some cases, health care is directed through a primary care physician (PCP) who acts as a “gatekeeper” to all required health care services.

Generally, all services can be provided within the network; however, if a service cannot be provided, the HMO will make arrangements for the member to receive services elsewhere. Non-network services are not covered unless they are due to a medical emergency or with prior approval from the HMO. In most cases, members pay set copayment amounts for services provided.

Preferred Provider Organization (PPO)

MCHCP’s PPO plan is a comprehensive major medical plan that uses a network of preferred providers. A PPO plan allows members to use any provider. However, members’ claims are paid at a higher percentage when utilizing the PPO network.

The PPO Copay Plan has network benefits with set copayments. Non-network benefits

require that a deductible be met before claims are paid at 70/30 percent. The public entity PPO plans require that deductibles be met before most claims are paid at varying percentages, based on the PPO plan selected.

Point of Service (POS)

The POS health plan is available to public entities in the central, east and southwest regions of the state. It is a health care plan that provides network and non-network benefits. Claims payment is determined at the point where the member receives services or care. Members are responsible for set copayment amounts when accessing care within the plan’s network of providers. If non-network providers are used, services are subject to a deductible and coinsurance.

High Deductible Health Plan with Health Savings Account (HDHP with HSA)

The HDHP with HSA plan is available to state and public entity members. The plan provides comprehensive medical coverage for medical expenses and a tax-advantaged way to help members save for future medical expenses. Enrollment in an MCHCP-qualified HDHP is required for participation in a Health Savings Account (HSA). The Internal Revenue Service establishes maximum annual

HSA contribution amounts, but there is no limit on the balance of the HSA. MCHCP contributes funds to the HSA on a monthly basis. HSA funds can be used for qualified medical and pharmacy expenses, and deductible and coinsurance amounts.

Active Employees

Members working for an agency covered by MCHCP are eligible for medical coverage on the first of the month following their date of employment.

Retired Employees

Retiring employees may participate in an MCHCP plan if they have been covered under MCHCP since the effective date of the last Open Enrollment period, if they had continuous coverage under another medical plan for six months immediately prior to retirement from state employment, or if they had medical coverage since they were first eligible. When a retiree becomes eligible for Medicare, Medicare becomes the primary payer.

COBRA and Vested Participants

Under federal COBRA law, employees may continue their medical coverage at employment termination, but participants must pay the entire cost of coverage and cannot be eligible for Medicare or covered by another group health plan. Terminated

vested members may elect to participate in an MCHCP plan if they had coverage since the effective date of the last Open Enrollment period, if they had continuous coverage under another medical plan for six months immediately prior to employment termination, or if they had medical coverage since they were first eligible.

FINANCIAL//CRUNCHING THE NUMBERS



Report of Independent Auditors



Williams Keepers LLC
10000 Wilshire Blvd., Suite 1000
Beverly Hills, California 90210
Tel: 310.277.1000
www.williamskeepers.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Missouri Consolidated Health Care Plan

We have audited the accompanying financial statements of each major fund of Missouri Consolidated Health Care Plan (the Plan) as of and for the years ended June 30, 2010 and 2009, which collectively comprise the Plan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Plan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audits in accordance with U.S. generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Plan as of June 30, 2010 and 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

The Management's Discussion and Analysis and the required supplementary information as listed in the table of contents are not a required part of the basic financial statements of the Plan, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying and material weaknesses have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion on them.

William H. Hays, II
December 9, 2010

William H. Hays, II
Partner
10000 Wilshire Blvd., Suite 1000
Beverly Hills, California 90210
Tel: 310.277.1000
www.williamskeepers.com

Report issued in accordance with Governmental Accounting Standards Board

Management's Discussion and Analysis

This section of the annual financial report provides an overview and analysis of the financial activities of the Missouri Consolidated Health Care Plan (MCHCP) for the fiscal years ended June 30, 2010 through 2008. We encourage you to consider the information presented here in conjunction with additional information presented in the basic financial statements which follow this section.

Fiscal year ended June 30, 2010 became the third year of presentation for the adoption of the provisions of Governmental Accounting Standards Board (GASB) Statement #43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

Implementation was not required until fiscal year 2008 because MCHCP previously accounted and reported for its activities under GASB #10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues. GASB #10 was amended by GASB #45 but remains in effect for accounting for health care benefits to retirees until the effective date of GASB #45. Thus, GASB #45 was effective for MCHCP's fiscal year ended June 30, 2008.

As a result of implementation, MCHCP created a separate fiduciary trust fund (State Retiree Welfare Benefit Trust or SRWBT) to handle the post-employment benefits for state employees. Prior to that time, the Internal Service Fund (ISF) of MCHCP handled both active and retired participants. For the current fiscal year, even though there was no significant change from an operational aspect, the net assets and activity related to active participants are reported in the ISF and the net assets and activity related to retired participants are reported in the SRWBT in the accompanying financial statements.

Fund Accounting

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MCHCP, like other discretely presented component units of the State of Missouri (as defined by GASB Statement #14), uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. There are three categories available for governmental accounting: governmental funds, proprietary funds and fiduciary funds. The ISF is considered to be a proprietary fund while SRWBT is classified as a fiduciary fund. MCHCP does not have any governmental funds.

Proprietary funds. Proprietary funds account for governmental operations that are designed to be self-supporting from fees charged to consumers of the provision of those goods and services or where the government has decided that the periodic determination of revenues, expenses, and net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The accounting and financial reporting practices of proprietary funds are similar to those used for business enterprises and focus on capital maintenance and the flow of economic resources through the use of accrual accounting. Of the two types of proprietary funds, MCHCP maintains one type: internal service fund. Internal service funds account for the financing of goods or services provided by one governmental department or agency to another and are expected to be self-supporting through charges to users. MCHCP's purpose is to provide medical insurance benefits to the State of Missouri's and other participating Missouri public entities' employees, retirees, and their dependents.

Fiduciary Funds. Fiduciary funds account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the government’s own programs. Fiduciary fund accounting is similar to that used for proprietary funds. The purpose of the SRWBT is to provide health and welfare benefits for the exclusive benefit of current and retired employees of the State and their dependents who meet eligibility requirements except for those retired members covered by other post-employment benefit (OPEB) plans of the State.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the Plan’s basic financial statements. Typically, governmental financial statements would be presented as three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. However, because the Plan has only proprietary and fiduciary funds, government-wide financial statements are not presented. Proprietary funds present financial statement information in the same manner as government-wide financial statements only with more detail, and government-wide financial statements would be repetitive. In addition, fiduciary funds are not reflected in government-wide financial statements because the resources of that fund are not available to support MCHCP’s own programs.

MCHCP presents the ISF and SRWBT on separate fund financial statements. For the ISF, the basic financial statements are comprised of the Balance Sheet; the Statement of Revenues, Expenses and Change in Net Assets; and the Statement of Cash Flows. For SRWBT, the basic financial statements are comprised of the Statement of Plan Net Assets and the Statement of Changes in Plan Net Assets. The Notes to the Financial Statements are also part of the basic financial statements and apply to both the ISF and SRWBT.

Condensed
Balance Sheets

Internal
Service
Fund

	2010	2009	2008
ASSETS			
Current assets	\$ 116,431,949	\$ 97,228,281	\$ 178,689,549
Capital assets	464,595	590,529	605,261
Total assets	<u>\$ 116,896,544</u>	<u>\$ 97,818,810</u>	<u>\$ 179,294,810</u>
LIABILITIES AND NET ASSETS			
Accrued medical claims and fees	\$ 47,839,736	\$ 52,632,962	\$ 46,018,127
Deferred premiums and other liabilities	29,878,083	24,391,254	27,051,158
Total current liabilities	<u>77,717,819</u>	<u>77,024,216</u>	<u>73,069,285</u>
Net assets:			
Unrestricted	38,760,400	20,305,859	105,777,582
Invested in capital assets, net of liabilities	418,325	488,735	447,943
Total net assets	<u>\$ 39,178,725</u>	<u>\$ 20,794,594</u>	<u>\$ 106,225,525</u>
Total liabilities and net assets	<u>\$ 116,896,544</u>	<u>\$ 97,818,810</u>	<u>\$ 179,294,810</u>

The financial statements are prepared on the accrual basis in accordance with U.S. generally accepted accounting principles applicable to governmental benefit plans.

The Balance Sheet and Statement of Plan Net Assets present MCHCP's financial position as of the end of the fiscal year for each fund. Information is displayed as assets and liabilities, with the difference between the two reported as net assets or deficit. The net assets of MCHCP reflect the resources available as of the end of the fiscal year to pay benefits to members when due. Over time, increases and decreases in net assets measure whether MCHCP's financial position is improving or deteriorating.

The Statement of Revenues, Expenses and Change in Net Assets and the Statement of Changes in Plan Net Assets present information detailing the revenues and expenses that resulted in the change in net assets that occurred during the current fiscal year. All revenues and expenses are reported on an accrual basis. This means that the revenue or expense is recognized as soon as the underlying event giving rise to the change occurs, regardless of when the actual cash is received or paid. Thus, revenues and expenses are reported in these statements for some items that will not result in cash flows until future fiscal periods. For example, contributions due from a public entity, even though not yet paid by year end, will be reflected as revenue. Likewise, claims that occurred during the fiscal year under self-funded plans will be reflected as an expense, whether or not they have been paid as of the end of the fiscal year.

Condensed
Statements of
Revenue, Expenses
and Change
in Net Assets

Internal
Service
Fund

	2010	2009	2008
Operating revenues:			
State/employer contributions	\$ 356,953,666	\$ 270,289,644	\$ 276,886,166
State employee/member contributions	73,309,792	65,348,201	57,339,368
Public entity contributions	10,295,456	9,966,190	10,008,570
Subcontractor and other rebates	5,344,809	4,603,754	5,033,832
Total operating revenues	<u>445,903,723</u>	<u>350,207,789</u>	<u>349,267,936</u>
Operating expenses:			
Medical claims and capitation expense	422,117,593	431,216,276	376,273,599
General and administration expense	6,506,897	6,927,014	6,274,233
Total operating expenses	<u>428,624,490</u>	<u>438,143,290</u>	<u>382,547,832</u>
Operating income (loss)	17,279,233	(87,935,501)	(33,279,896)
Investment income and other changes	1,104,898	2,504,570	7,099,139
Excess (deficiency) of revenues over expenses	18,384,131	(85,430,931)	(26,180,757)
Net assets, beginning of the year	20,794,594	106,225,525	132,406,282
Net assets, end of the year	<u>\$ 39,178,725</u>	<u>\$ 20,794,594</u>	<u>\$ 106,225,525</u>

State Retiree Welfare Benefit Trust:
Statements of Plan Net Assets
As of June 30, 2010 and 2009

ASSETS

Cash and cash equivalents
Due from MCHCP
Investments

Receivables

Prescription drug rebates
Retiree drug subsidy
Other receivables
Total receivables

Total assets

LIABILITIES

Accrued medical claims and fees
Deferred revenue
Other liabilities
Total liabilities

Net assets, held in trust for other
post-employment benefits

2010

2009

\$	2,715,702	\$	17,705,752
	13,569,396		12,626,061
	66,239,556		29,865,200
	1,367,356		1,334,555
	2,548,068		1,701,346
	324,223		269,688
	4,239,647		3,305,589
	86,764,301		63,502,602
	9,802,000		11,278,000
	3,654,757		3,456,496
	112,639		116,532
	13,569,396		14,851,028
\$	73,194,905	\$	48,651,574

State Retiree Welfare Benefit Trust:
Statements of Changes in Plan Net Assets
For the years ended June 30, 2010 and 2009

Additions:

Employer contributions
Employee contributions
Interest income
Retiree drug subsidy and other rebates
Total additions

Deductions:

Medical claims and capitation expense
Claims administration services
Administration and other
Total deductions

Net increase

Net assets held in trust for other
post-employment benefits:

Beginning of year

End of year

2010

2009

\$	74,384,744	\$	91,446,684
	50,658,363		47,116,522
	3,420,671		677,279
	8,335,420		8,095,327
	136,799,198		147,335,812
	104,628,432		105,946,408
	4,570,596		4,769,792
	3,056,839		3,614,426
	112,255,867		114,330,626
	24,543,331		33,005,186
	48,651,574		15,646,388
\$	73,194,905	\$	48,651,574

The Statement of Cash Flows presents the cash inflows and outflows of the ISF categorized by operating, capital and related financing, and investing activities. It reconciles the beginning and end of year cash balances contained in the Balance Sheet. The effects of accrual accounting are adjusted out and noncash activities, such as depreciation, are removed to supplement the presentation in the Statement of Revenue, Expenses and Change in Net Assets. A statement of cash flows is not required for the SRWBT.

The Notes to Financial Statements follow the above basic financial statements and provide additional information that is essential to a full understanding of the data provided in the financial statements.

Financial Analysis

The following tables present summarized financial position and results for the fiscal years ending June 30, 2010, 2009, and 2008. Additional details are available in the accompanying basic financial statements. For fiscal years ended June 30, 2010, 2009 and 2008, comments are separated between the ISF (active participants) and the SRWBT (retired participants) as appropriate.

Current assets have increased for the year ended June 30, 2010, and decreased for each of the years ended June 30, 2009 and 2008, due primarily to changes in cash and cash equivalents. Fiscal year 2008 represented the initial year of presentation for the SRWBT with assets of the SRWBT presented separately in the Statement of Plan Net Assets. Prior to 2008 and the creation of the SRWBT, all asset activity for both active and retired members was accounted for in the ISF's Balance Sheet.

The decrease in rebates and other receivables during 2010 over 2009 is due primarily through the MCHCP reaching a memorandum of understanding (MOU) with a health maintenance organization (HMO) in consideration of claims overpayments made by the HMO in the amount of \$4 million reflected in 2009 totals. Rebates for 2009 over 2008 decreased due mainly to an interim adjustment from CMS for Medicare Part D rebates paid in excess by CMS over eligible payments of approximately \$450,000. Pharmacy rebates receivable at June 30, 2010 and 2009 respectively, for the ISF were \$2,234,284 and \$2,175,414 while rebates for the SRWBT totaled \$3,915,424 and \$3,035,901 for the same period. During 2008, rebates as a component of rebate and other receivables for the ISF totaled \$2,179,550 while rebates for the SRWBT amounted to \$3,312,753 or approximately 60% of the rebates due in total for the year. Other receivables for 2008 increased due to approximately \$1.5 million in claims overpayments due the ISF at June 30, 2008, from a third party administrator (TPA).

Capital asset activity has been minimal as operations have not significantly changed during the years presented.

Accrued medical claims and fees decreased for the ISF and the SRWBT in 2010 over 2009 due to a decrease in covered lives at June 30, 2010 and a reduction in the IBNR (incurred but not reported) estimate. This reduction was based primarily on a reduction in the duration of processing time associated with claims payments by the new third party administrator. Accrued medical claims and fees for 2009 over 2008 reflected increased populations and longer claims payment patterns.

Accounts payable and accrued expenses for the periods of June 30, 2010, 2009 and 2008, had minimal change.

Deferred premium revenues for June 30, 2010, were influenced by the overall increase in State contributions during the year. For both the ISF and SRWBT, deferred premiums totaled \$19,625,528 at June 30, 2010, an increase over 2009 due to lowered contributions per pay period from the State in 2009. The most significant change to deferred premiums and other liabilities occurred in 2009 due to approximately \$5.2 million in state contributions historically transferred prior to fiscal year end being received after July 1, 2009. In total, both the ISF and SRWBT totaled deferred premiums in the amount of \$14,852,670 for 2009. Deferred premiums and other liabilities are most significantly influenced by the state's payroll cycle and the timing of receipt of premium payments to MCHCP prior to the effective date of coverage. Deferred revenues for 2008 are comprised of \$16,400,723 for the ISF and \$2,995,751 attributable to the SRWBT. SRWBT deferred revenues are composed of premium deductions from retiree benefit checks received from MOSERS prior to the month of coverage.

State/Employer contributions for fiscal years 2010, 2009, and 2008 for both the ISF and the SRWBT totaled \$431,338,410, \$361,736,328, and \$345,712,612, respectively. Funding increases for the years represented are attributable to the States' commitment to fund the claims costs and operations expense attributable to State employee health benefits. Ultimately, claims costs for state employees are backed by the State of Missouri should State/Employer contributions not be sufficient to cover claims needs.

Public entity enrollment for 2010 over 2009 remained relatively unchanged, but with the mix of enrollment and annual premium increases, revenues increased by approximately 3%. Additionally for 2008, although enrollment decreased by approximately 2%, revenues increased in 2008 by approximately 10% due to the mix of enrollment and the fact that average enrollment for the year was relatively stable through the end of the year.

Beginning January 1, 2006, Medicare prescription drug coverage was made available to all people with Medicare, regardless of income, health status, or current health care. Because the prescription drug coverage offered by MCHCP was actuarially considered, on average for all plan participants, at least as good as standard Medicare coverage, members were encouraged to keep their MCHCP coverage. During fiscal years 2010, 2009 and 2008 the SRWBT received \$8,335,420, \$8,095,327, and \$8,079,801 in subsidy payments, respectively.

Wellness and disease management programs were introduced in an effort to promote healthy member outcomes and for cost containment measures. Program expenses for wellness and disease management for both the ISF and the SRWBT for the period ended June 30, 2010, 2009, and 2008 totaled \$3,551,493, \$5,945,616 and \$5,551,178, respectively. Decreases for 2010 were attributable to the elimination of an independent disease management vendor during fiscal year 2010 and the disease management costs being included in the monthly third party administrator fees paid to the new administrator. Self-funded health care costs for the period ended June 30, 2010, 2009, and 2008 for the ISF and the SRWBT totaled \$443,653,461, \$448,527,507 and \$393,124,793, respectively. Decreases for 2010 are most significantly impacted by a reduction in covered lives at June 30, 2010 and a reduction in IBNR (incurred but not

reported) for the period Claims administrative service costs is reflective of enrollment in self-funded options for the periods of 2010 through 2008.

MCHCP's cash is invested conservatively in overnight repurchase agreements to preserve principal and maintain liquidity. MCHCP has invested approximately \$30,000,000 in longer term maturities in an effort to maximize return on investment and to diversify the portfolio. Investments increased in fiscal year 2010 over 2009 for the SRWBT as the asset allocation model for the SRWBT became more fully mature through increased exposure in actively managed index funds and exchange traded funds. Investment income consists of interest income, unrealized gains and losses in fair value, accretion of discounts, and amortization of premiums. Investment income for the ISF and the SRWBT was realized in the amount of \$4,318,149 for 2010, \$3,182,461 for 2009, and \$7,283,731 for 2008, and is predicated on the availability of investable assets and the economic conditions influencing market conditions.

MCHCP's actuary reviews the financial assets of MCHCP's trust in conjunction with the reserve obligations and funding available as provided by the Missouri General Assembly. Due to the recent state of economic conditions facing the State, the MCHCP, members of the General Assembly, and the State's budget office meet regularly to discuss funding needs and projected claims expenditures in an effort to develop funding levels for the Plan. Ultimately, the funding of claims costs are backed by the State of Missouri should contributions be unable to meet claims obligations.

Summary

During the years presented, MCHCP faced a tightened State budget, which compelled it to look at new products to offer. Combined with expected continued escalation in health care costs, MCHCP faces significant challenges in an effort to provide affordable health care coverage to its members. As a result, MCHCP has explored a full range of viable options to accommodate the State budget, including changes in benefit design, modifications in co-pay and deductible amounts, increases in premiums, and changes in provider networks. Wellness and disease management programs were developed to continue to foster healthier outcomes and reduce claims expenditures. The overall financial position of MCHCP is reliant upon state funding, cost containment and comprehensive benefits review of the self-funded programs to continue to generate a healthier membership in MCHCP.

Requests For Information

This financial report is designed to provide a general overview of MCHCP's financial position for all those with an interest in MCHCP. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Missouri Consolidated Healthcare Plan, 832 Weathered Rock Court, PO Box 104355, Jefferson City, Missouri 65110-4355.

Balance Sheets
Internal Service Fund

As of June 30, 2010 and 2009

The accompanying notes are an integral part of the financial statements.

ASSETS

Current assets:

Cash and cash equivalents

Investments

Rebates and other receivables

Prepaid expenses

Total current assets

Capital assets:

Furniture, fixtures and equipment, net of accumulated depreciation of \$2,404,360 and \$2,350,218, respectively

Total assets

LIABILITIES AND NET ASSETS

Accrued medical claims and capitation fee expense

Accounts payable and accrued expenses

Due to SRWBT

Deferred premium revenue

Total current liabilities

Net assets:

Unrestricted

Invested in capital assets, net of liabilities

Total net assets

Total liabilities and net assets

2010

2009

\$	78,214,695	\$	57,631,802
	33,813,212		31,531,794
	4,261,175		7,931,005
	142,867		133,680
	116,431,949		97,228,281
	464,595		590,529
\$	116,896,544	\$	97,818,810
\$	47,839,736	\$	52,632,962
	337,916		369,019
	13,569,396		12,626,061
	15,970,771		11,396,174
	77,717,819		77,024,216
	38,760,400		20,305,859
	418,325		488,735
\$	39,178,725	\$	20,794,594
\$	116,896,544	\$	97,818,810

Statements of Revenues, Expenses and Change in Net Assets

Internal Service Fund

For the years ended June 30, 2010 and 2009

The accompanying notes are an integral part of the financial statements.

Operating revenues:

State/employer contributions

Member contributions

Public entity contributions

Pharmacy rebates

Total operating revenues

Operating expenses:

Medical claims and capitation expense

Claims administration services

Payroll and related benefits

Health management

Administration

Professional services

Employee Assistance Program

Total operating expenses

Operating revenues over (under) operating expenses

Non-operating revenues:

Investment and other income

Change in net assets

Net assets, beginning of year

Net assets, end of year

2010

2009

\$	356,953,666	\$	270,289,644
	73,309,792		65,348,201
	10,295,456		9,966,190
	5,344,809		4,603,754
	<u>445,903,723</u>		<u>350,207,789</u>
	405,742,184		411,593,266
	13,711,789		15,104,342
	3,365,166		3,605,582
	2,663,620		4,518,668
	1,251,405		1,488,013
	1,132,392		1,137,039
	757,934		696,380
	<u>428,624,490</u>		<u>438,143,290</u>
	17,279,233		(87,935,501)
	1,104,898		2,504,570
	<u>18,384,131</u>		<u>(85,430,931)</u>
	20,794,594		106,225,525
\$	<u>39,178,725</u>	\$	<u>20,794,594</u>

Statements of Cash Flows
For the years ended
June 30, 2010 and 2009

The accompanying notes are an integral part of the financial statements.

	2010	2009
Cash flows from operating activities:		
Cash received from State, employer, members and public entities	\$ 454,130,205	\$ 341,380,717
Cash payments for medical claims and capitation fee payments	(402,151,443)	(404,978,431)
Cash payments to employees for services	(3,365,165)	(3,605,582)
Cash payments to other suppliers of goods and services	(27,497,312)	(22,629,385)
Net cash provided (used) by operating activities	21,116,285	(89,832,681)
Cash flows from noncapital financing activities:		
Changes in amounts due to SRWBT	943,335	2,368,042
Cash flows from capital and related financing activities:		
Purchase of furniture, fixtures and equipment	(328,872)	(359,116)
Cash flows from investing activities:		
Cash received from investment income; net of investment expenses	1,534,881	2,245,707
Purchases of investments	(43,179,303)	(60,920,586)
Proceeds from investments	40,496,567	60,539,092
Net cash provided (used) by investing activities	(1,147,855)	1,864,213
Net increase (decrease) in cash and cash equivalents	20,582,893	(85,959,542)
Cash and cash equivalents, beginning of year	57,631,802	143,591,344
Cash and cash equivalents, end of year	\$ 78,214,695	\$ 57,631,802
Reconciliation of operating revenues over operating expenses to net cash provided by operating activities:		
Operating revenues over (under) operating expenses	\$ 17,279,233	\$ (87,935,501)
Adjustments to reconcile operating revenues over (under) operating expenses to net cash provided by operating activities:		
Depreciation	454,228	373,236
Changes in assets and liabilities:		
Rebates and other receivables	3,651,883	(3,822,523)
Prepaid expenses	(9,186)	(34,780)
Accrued medical claims and capitation fees	(4,793,226)	6,614,836
Accounts payable and accrued expenses	(41,245)	(23,399)
Deferred premium revenue	4,574,598	(5,004,550)
Total adjustments	3,837,052	(1,897,180)
Net cash provided by operating activities	\$ 21,116,285	\$ (89,832,681)
Noncash investing, capital and financing activities:		
Decrease in fair value of investments	\$ 113,099	\$ (332,791)

State Retiree Welfare Benefit Trust:
Statements of Plan Net Assets
As of June 30, 2010 and 2009

The accompanying notes are an integral part of the financial statements.

ASSETS

Cash and cash equivalents
Due from MCHCP
Investments

Receivables

Prescription drug rebates
Retiree drug subsidy
Other receivables
Total receivables
Total assets

LIABILITIES

Accrued medical claims and capitation fees
Deferred revenue
Other liabilities
Total liabilities

Net assets, held in trust for other
post-employment benefits

2010

\$ 2,715,702
13,569,396
66,239,556

1,367,356
2,548,068
324,223
4,239,647
86,764,301

9,802,000
3,654,757
112,639
13,569,396

\$ 73,194,905

2009

\$ 17,705,752
12,626,061
29,865,200

1,334,555
1,701,346
269,688
3,305,589
63,502,602

11,278,000
3,456,496
116,532
14,851,028

\$ 48,651,574

State Retiree Welfare Benefit Trust:
Statements of Changes in Plan Net Assets
For the years ended June 30, 2010 and 2009

The accompanying notes are an integral part of the financial statements.

Additions:

Employer contributions
Employee contributions
Interest income
Retiree drug subsidy and other rebates
Total additions

Deductions:

Medical claims and capitation expense
Claims administration services
Administration and other
Total deductions
Net increase

Net assets held in trust for other
post-employment benefits:

Beginning of year

End of year

2010

\$ 74,384,744
50,658,363
3,420,671
8,335,420
136,799,198

104,628,432
4,570,596
3,056,839
112,255,867
24,543,331

48,651,574
\$ 73,194,905

2009

\$ 91,446,684
47,116,522
677,279
8,095,327
147,335,812

105,946,408
4,769,792
3,614,426
114,330,626
33,005,186

15,646,388
\$ 48,651,574

Notes to Financial Statements

1. General

The Missouri Consolidated Health Care Plan (the Plan) was statutorily created and organized on Jan. 1, 1994, with the purpose of providing medical insurance benefits to the State of Missouri's (State) employees, retirees and their dependents as well as other Missouri public entity employees, retirees and their dependents. Prior to 1994, medical insurance benefits for the State's employees, retirees and their dependents were provided by Missouri State Employees' Retirement System (MOSERS) medical care plan. On Jan. 1, 1994, through a transfer agreement between the Plan and MOSERS, all MOSERS-related medical care plan assets and liabilities were transferred to the Plan.

The Plan's medical insurance benefits are provided through various health maintenance organizations (HMO) and self-funded HMOs. The Plan currently has more than 105,000 active and retired State members and dependents, 1,626 public entity members and dependents, and more than 107,000 covered lives, and is funded through both employer and employee contributions. Through December 31, 1994, all Plan members were State employees, retirees and their dependents. Beginning January 1, 1995, additional members included public entity employees, retirees and dependents.

State contribution rates are based on the State's approved appropriation and the number of anticipated participants. State employee and public entity contribution rates are established by the Plan's Board of Trustees based on contractor bids for the plan year and budgeted employer contributions.

Governmental Accounting Standards Board (GASB) has two statements related to accounting and reporting for post employment benefits other than pensions (OPEB): GASB No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which is first effective for certain governments with fiscal years beginning after December 15, 2006, and GASB No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, which is generally first effective one year prior to the effective dates of GASB No. 45.

MCHCP is considered an "agent multiple employer plan" because each employer remains individually responsible for financing its own commitment to provide benefits to its participants, including any eligible retirees. During the fiscal year ended June 30, 2008, MCHCP implemented the provisions of GASB Statement No. 43. As a result of implementation, MCHCP created a separate fiduciary trust fund (State Retiree Welfare Benefit Trust, or SRWBT) to handle the post-employment benefits for State employees.

SRWBT was established and organized on June 27, 2008, pursuant to the Revised Statutes of Missouri (2000) as amended ("RSMo") 103.003 through 103.178 to provide health and welfare benefits for the exclusive benefit of current and future retired employees of the State and their dependents who meet eligibility requirements except for those retired members covered by other post-employment benefit (OPEB) plans of the State. The SRWBT is considered a cost-sharing multiple employer plan because it covers various State agencies and legally separate component units. It is administered by Plan staff under the direction of the Plan Board of Trustees.

As of June 30, 2010 and 2009, the net assets and activity related to active participants are reported in the ISF, and the net assets and activity related to retired participants are reported in the SRWBT in the accompanying financial statements. In the following footnotes, the term “the Plan” refers to both the ISF and SRWBT. Disclosures that are specific to the ISF or SRWBT are separately noted.

The Plan is considered a part of the State’s financial reporting entity and is included in the State’s financial reports as a component unit. As the Plan is considered a political subunit of the State and provider of essential governmental services, it is not subject to federal income taxes, nor to the provisions of the Employee Retirement Income Security Act of 1974.

The Plan is administered according to Missouri statutes. These statutes do not include a provision for the termination of the Plan.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Summary of Significant Accounting Policies

A. Basis of Accounting

The Plan’s financial statements for the ISF were prepared using the accrual basis of accounting, in accordance with U.S. generally accepted accounting principles, as prescribed by the Governmental Accounting Standards Board (GASB). Governmental Accounting Standards Board Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, establishes the accounting principles generally accepted in the United States of America hierarchy for proprietary funds. The statement requires that proprietary activities apply all applicable GASB pronouncements. The Plan must also apply Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before Nov. 30, 1989, to the extent that they do not conflict with GASB pronouncements.

The financial statements of the SRWBT are intended to present the financial position and the changes in financial position of only that portion of the activities attributable to the transactions of the SRWBT. The SRWBT is accounted for as a fiduciary fund. Accordingly, the financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America for governmental entities as prescribed or permitted by the GASB.

B. Method Used to Value Investments

Investments are reported at fair value on a trade-date basis with changes in fair value recorded in investment income on the statement of revenues, expenses and changes in net assets. Investments are recorded at fair value as determined by quoted market price, when available, or estimated fair value when not available. Many factors are considered in arriving at that fair market value. In general,

however, bonds and mortgages are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Realized gains and losses are based on the specific identification basis. The calculation of realized gains and losses is independent of the calculation of the change in net unrealized gains and losses.

C. Deposits and Investments

The Plan considers all highly liquid investments, readily convertible into cash with original maturities of three months or less, to be cash equivalents.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Plan would not be able to recover deposits or collateral securities in the possession of an outside party. In an effort to mitigate custodial credit risk, the Plan requires the bank to sweep the accounts each night into overnight repurchase agreements for which the underlying securities must be of the type approved by the State. All remaining cash balances are to be insured or appropriately collateralized.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the transaction, the Plan would not be able to recover the value of investments or collateral securities in the possession of an outside party. The Plan does not have a formal policy regarding custodial credit risk. However, the bank acting as the investment manager has been approved by the Plan's Board of Trustees.

Deposits

Cash balances represent operating bank account balances. To maximize investment income, the float caused by outstanding checks is invested in overnight repurchase agreements, thus causing a negative carrying value.

At June 30, 2010 cash held in the financial institution had a bank balance of \$48,206 and a carrying value of (\$12,789,005). Of the bank balance, \$48,206 was covered by federal depository insurance. The remaining \$93,719,401 of cash and cash equivalents are held in repurchase agreements and fully collateralized with securities held by a third-party financial institution in the Plan's name.

At June 30, 2009, cash held in the financial institution had a bank balance of \$100,457 and a carrying value of (\$17,406,647). Of the bank balance, \$100,457 was covered by federal depository insurance. The remaining \$92,774,200 was collateralized with securities held by a third-party institution in the Plan's name.

The Plan's contracted yield on its overnight repurchase agreements was 22 and 27 basis points above the prevailing 91-day U.S. Treasury Bill rate as of June 30, 2010 and 2009, respectively.

Investments

In December 2005, the Plan adopted a revised investment policy to maximize investment earnings for the ISF. The Plan's investment policy for the ISF is predicated on the primary objectives of safety, liquidity, and yield, in order of priority. Investments in bankers' acceptances

and commercial paper are required to mature and become payable not more than 180 days from the date of purchase. All other investments are required to mature and become payable not more than five years from the date of purchase. The weighted average life should not exceed three years and should be consistent with the investment objectives.

The Board of Trustees, in July 2009, adopted an asset allocation model for the SRWBT that implemented a moderate investment approach allocating 33 percent to equities. This approach was approved to steadily increase the exposure of the SRWBT to higher return asset classes over time. Exposure to equities will be through a combination of actively managed index funds and/or exchange traded funds that are highly rated and reviewed regularly. Allocations are back-tested, and future assets are projected in all models.

The Plan follows the “prudent person” rule for investment decisions. Essentially, the Plan operates as a prudent person acting in a like capacity and familiar with similar matters would act in the conduct of an enterprise of a like character and with like aims. Any person with fiduciary responsibilities with respect to the Plan is covered by this “prudent person” rule. As of June 30, 2010 and 2009, the Plan had the following investments:

Types of Investments	ISF 2010 - Market Value	ISF 2009 - Market Value
U.S. Agencies	\$ 24,582,976	\$ 19,876,701
U.S. Government Guaranteed Mortgages	5,768,362	8,095,890
U.S. Treasury	3,461,874	3,559,203
Total Investments	<u>\$ 33,813,212</u>	<u>\$ 31,531,794</u>

Types of Investments	SRWBT 2010 - Market Value	SRWBT 2009 - Market Value
U.S. Agencies	\$ 14,657,167	\$ 7,399,180
U.S. Government Guaranteed Mortgages	4,049,757	1,995,998
U.S. Treasury	-	4,330,165
Corporate	13,482,487	5,301,006
Collateralized Mortgage Obligations	14,072,648	10,838,851
Equities	8,099,560	-
Mutual Funds	11,877,937	-
Total Investments	<u>\$ 66,239,556</u>	<u>\$ 29,865,200</u>

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the ISF’s investment in a single issue. To mitigate this risk, the ISF’s investment policy provides general guidelines on diversification. Investments in U.S. Treasuries and securities, collateralized time and demand deposits, and collateralized repurchase agreements can constitute up to 100 percent of the investment portfolio; U.S. government agencies, including mortgage-backed securities, cannot exceed 60 percent of the portfolio; and U.S. government agency callable securities, bankers’ acceptances and commercial paper cannot exceed 30 percent of the portfolio. The SRWBT has implemented an investment approach allocating 33 percent to equities. At June 30, 2010 the SRWBT held the following investments in a single issue that exceeded 5 percent of total investments that were not U.S. securities. These holdings were within the investment policy guidelines. No such holdings existed at June 30, 2009. Carrying value of the investments is as follows:

June 30, 2010		
IShares TR Index S&P SMLCAP 600 (IJR)	\$	4,421,397

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Plan minimizes this risk by only authorizing investment types approved by the Treasurer of the State of Missouri, limiting investments to the safest types of securities, and diversifying the portfolio so potential losses on individual securities will be minimized. The Plan does not have an investment policy designating a minimal rating. The Plan's investments by credit rating category as of June 30, 2010 and 2009 are presented below:

FY 2010

Types of Investments	ISF 2010 Market Value	ISF 2010 Avg. Ratings
U.S. Agencies	\$ 24,582,976	AAA/Aaa
U.S. Government Guaranteed Mortgages	5,768,362	AAA/Aaa
U.S. Treasury	3,461,874	AAA/Aaa
Total Investments	<u>\$ 33,813,212</u>	

FY 2009

Types of Investments	ISF 2009 Market Value	ISF 2009 Avg. Ratings
U.S. Agencies	\$ 19,876,701	AAA/Aaa
U.S. Government Guaranteed Mortgages	8,095,890	AAA/Aaa
U.S. Treasury	3,559,203	AAA/Aaa
Total Investments	<u>\$ 31,531,794</u>	

FY 2010

Types of Investments	SRWBT 2010 Market Value	SRWBT 2010 Avg. Ratings
U.S. Agencies	\$ 14,657,167	AAA/Aaa
U.S. Government Guaranteed Mortgages	4,049,757	AAA/Aaa
Corporate	13,482,487	A+/A1
Collateralized Mortgage Obligations	14,072,648	AAA/Aaa
Equities	8,099,560	A-
Mutual Funds	11,877,937	3-STAR
Total Investments	<u>\$ 66,239,556</u>	

FY 2009

Types of Investments	SRWBT 2009 Market Value	SRWBT 2009 Avg. Ratings
U.S. Agencies	\$ 7,399,180	AAA/Aaa
U.S. Government Guaranteed Mortgages	1,995,998	AAA/Aaa
U.S. Treasury	4,330,165	AAA/Aaa
Corporate	5,301,006	A/A1
Collateralized Mortgage Obligations	10,838,851	AAA/Aaa
Total Investments	<u>\$ 29,865,200</u>	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan minimizes this risk by 1) structuring the portfolio so securities mature to meet cash requirements for ongoing operations, 2) using cash flow modeling to moderate the interest rate risk by reducing any unanticipated security sales that could result in a loss of principal and 3) maintaining the operating funds primarily in repurchase agreements according to the banking contract. For the interest rate risk measurement for the Plan, Central Bank employs the duration method. The maturities of the Plan's investments as of June 30, 2010 and 2009 are presented below:

FY 2010		
Types of Investments	ISF 2010 Market Value	ISF 2010 Avg. Duration
U.S. Agencies	\$ 24,582,976	2.27
U.S. Government Guaranteed Mortgages	5,768,362	.77
U.S. Treasury	3,461,874	.64
Total Investments	<u>\$ 33,813,212</u>	

FY 2009		
Types of Investments	ISF 2009 Market Value	ISF 2009 Avg. Duration
U.S. Agencies	\$ 19,876,701	2.18
U.S. Government Guaranteed Mortgages	8,095,890	0.71
U.S. Treasury	3,559,203	1.57
Total Investments	<u>\$ 31,531,794</u>	

FY 2010		
Types of Investments	SRWBT 2010 Market Value	SRWBT 2010 Avg. Duration
U.S. Agencies	\$ 14,657,167	8.69
U.S. Government Guaranteed Mortgages	4,049,757	4.49
Corporate	13,482,487	5.32
Collateralized Mortgage Obligations	14,072,648	2.66
Equities	8,099,560	15 years
Mutual Funds	11,877,937	15 years
Total Investments	<u>\$ 66,239,556</u>	

FY 2009		
Types of Investments	SRWBT 2009 Market Value	SRWBT 2009 Avg. Duration
U.S. Agencies	7,399,180	6.90
U.S. Government Guaranteed Mortgages	1,995,998	3.75
U.S. Treasury	4,330,165	8.20
Corporate	5,301,006	4.89
Collateralized Mortgage Obligations	10,838,851	5.5
Total Investments	<u>\$ 29,865,200</u>	

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan has no investments subject to foreign currency risk.

D. Interfund Activity and Balances

As disclosed above, the ISF provides all administrative responsibilities related to SRWBT, which has no separate facilities or staff. Expenses directly attributable to SRWBT are charged to SRWBT. Other operating expenses, including personnel, are allocated between the ISF and the SRWBT based on participant counts for retired and active participants. The balance of the interfund receivable/payable represents the excess of SRWBT contributions collected by the ISF Plan over expenses paid by the ISF Plan for SRWBT.

E. Receivables

As a Medicare Part D Prescription Drug Plan (PDP), the Plan receives a retiree drug subsidy from the federal government. For fiscal years ended June 30, 2010 and 2009, all amounts related to PDP are recorded in the SRWBT, as the program is only for retirees. Estimated revenue is recognized as SRWBT incurs Medicare-eligible retiree prescription drug expenditures.

In addition, the Plan receives rebates from its pharmacy benefit manager related to manufacturers’ rebates and other guaranteed rebates for non-Medicare Part D prescriptions. For the years ended June 30, 2010 and 2009, these rebates are allocated between the ISF and the SRWBT. Estimated revenue is recognized for rebates based on prescription claims counts and historical average rebate per claim.

Traditionally, receivables are composed of primarily pharmacy rebates from the pharmacy benefit manager and the Medicare Part D subsidy. During 2009, the Plan reached a memorandum of understanding (MOU) with a Health Maintenance Organization (HMO) in consideration of claims overpayments in the amount of \$4 million. Payment in relation to the MOU occurred in 2010.

F. Furniture, Fixtures and Equipment

Furniture, fixtures and equipment are capitalized at cost when acquired. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Furniture and fixtures are depreciated over a 10-year useful life. Data processing equipment is depreciated over a five-year useful life. Threshold for the capitalizing of assets is \$250.

Maintenance and repairs are charged to expense as incurred. The cost and related accumulated depreciation of assets sold or retired are removed from the related accounts, and the resulting gains or losses are reflected as nonoperating gains or losses in the statement of revenues, expenses and change in net assets. The changes in Furniture, Fixtures and Equipment for the years ended June 30, 2010 and 2009 are as presented in the chart above.

Furniture, Fixtures and Equipment			Furniture, Fixtures and Equipment		
Balance June 30, 2009	\$	2,940,747	Balance June 30, 2008	\$	2,757,883
Additions		328,294	Additions		362,569
Deletions		400,086	Deletions		(179,705)
Balance June 30, 2010	\$	2,868,955	Balance June 30, 2009	\$	2,940,747
Accumulated Depreciation			Accumulated Depreciation		
Balance June 30, 2009	\$	2,350,218	Balance June 30, 2008	\$	2,152,622
Depreciation Expense		454,228	Depreciation Expense		373,236
Deletions		(400,086)	Deletions		(175,640)
Balance June 30, 2010	\$	2,404,360	Balance June 30, 2009	\$	2,350,218

G. Plan Funding

State Appropriations/Contributions

Funds are appropriated to the Plan by the Missouri State General Assembly. Premiums are received one-half prior to the month of coverage and one-half during the month of coverage. Funds are received by the Plan every two weeks and coincide with the State's payroll cycle.

The State's monthly per-member active contribution for fiscal year 2010 averaged \$672 per month and \$540 per month for fiscal year 2009. Contribution for fiscal year 2008 was \$550 per month through April 15, 2008 and was adjusted each remaining pay cycle of fiscal year 2008. Contributions from April 30, 2008, through June 30, 2008, averaged \$505 per month.

In addition to monthly per-member contributions, the State also provided additional funding for post-employment health care benefits (OPEB). The monthly per-member contributions are intended to cover the current plan benefits, whereas the additional funding is intended to build the funding reserve for future OPEB benefits. The total additional funding contributed during the years ended June 30, 2010 and 2009 was \$18,291,088 and \$31,568,817, respectively.

Member Premiums

Monthly member premiums for State employees are established annually by the Plan's Board of Trustees. These premiums are deducted from employee payroll checks in advance. Additionally, the Plan bills members who are not receiving payroll checks two weeks in advance.

Public Entity Premiums

Monthly public entity premiums are established annually by the Plan's Board of Trustees. The Plan bills the public entities two weeks in advance.

Deferred Premium Revenue

Deferred premium revenue includes premium revenue from the members, public entities, and the State received in advance of the month coverage is provided.

Operating/Nonoperating Revenues

Operating revenues and expenses reflect items directly related to providing health benefits to members. Nonoperating revenues and expenses represent investment income and other items not directly related to providing health benefits to members.

H. Other Post-Employment Benefits

Retirees who had state-sponsored medical insurance coverage for at least two years (or since first eligible) before they were eligible to retire, based on their plan's criteria, may continue coverage into retirement. At June 30, 2010 and 2009, there were 18,150 and 17,864 retirees and their dependents who met these eligibility requirements, respectively.

During the years ended June 30, 2010 and 2009, expenditures (net of retiree contributions) of approximately \$57.6 million and \$31.2 million, respectively, were recognized for post-retirement medical insurance coverage under the self-funded PPO option, and \$48.5 million and \$73.8 million, respectively, under the HMO and self-insured HMO options.

Funded Status and Funding Progress

The funded status of the SRWBT as of the most recent actuarial valuation is as follows:

Schedule of Funding Progress

\$ in Millions

The schedule of funding progress presents trend information comparing the actuarial value of plan assets to the actuarial accrued liability.

Fiscal Year Ending	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
June 30, 2010	\$73.2	\$1,304.4	\$1,231.2	5.6%	\$1,614.0	76.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Actuarially determined amounts are subject to continual revision, as actual results are compared with past expectations and revised estimates are made about future costs. The estimated actuarial accrued liability reflected above is based on the substantive plan in place at the time of the latest actuarial accrued valuation. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued benefits.

The accompanying schedule of employer contributions, presented as required supplementary information, presents trend information about the amounts contributed to the plan by employers in comparison to the amount that is actuarially determined in accordance with the requirements of GASB Statement No. 43. The annual required contribution (ARC) represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Projections include a broad array of complex social and economic events, such as the emergence of new and expensive medical procedures and prescription drug options, changes in investment rates of return, and other uncertainties. As such, the estimate of post-retirement program costs contains considerable uncertainty and variability, and actual experience may vary significantly from the current estimated obligation. Additional information as of the latest actuarial valuation follows:

Summary of Key Actuarial Methods and Assumptions	Valuation Year:	July 1, 2009 – June 30, 2010
	Actuarial cost method	Entry age normal, level percent of pay
	Amortization method	30 years, open, level percent of pay
	Asset valuation method	Market value
	Actuarial assumptions:	
	Discount rate	7.0%
	Projected payroll growth rate	4.0%
	Health care cost trend rate	8.33% in fiscal 2010, then decreasing by 2/3% per year
	(Medical and prescription drugs combined)	to an ultimate of 5.0% in fiscal 2015 and after.

Employer Disclosures

Participating employers, upon their implementation of the related GASB No. 45, are required to disclose additional information with regard to funding policy, the employer’s annual OPEB costs and contributions made, the funded status and funding progress of the employer’s individual plan, and actuarial methods and assumptions used. Employer disclosures for MCHCP can be found in footnote M.

I. Medical Claims and Capitation

As of June 30, 2010 and 2009, the Plan insured approximately 92 percent and 80 percent, respectively, of its members through various HMO contracts. Approximately 85 percent and 70 percent, respectively, of the Plan’s members were insured in the self-insured HMOs for the years ended June 30, 2010 and 2009. Third-party administrators are paid a contracted administrative fee per subscriber for the self-insured contracts, with the Plan bearing all administrative and medical claims costs of providing coverage to the members. The fully insured HMOs are paid monthly based upon contracted capitation rates and current participation. The Plan bears no additional risk over the prevailing capitation rate for these contracts. As of June 30, 2010 and 2009, respectively, the Plan insured approximately 7 percent and 19 percent of it members under a self-insured PPO contract. Enrollment in the High Deductible Health Care Plan was less than 1 percent for both years ended June 30, 2010 and 2009.

The liability for estimated accrued claims and processing costs is based on an actuarial estimate of the ultimate cost of settling such claims due and payable as of the balance sheet date (including claims reported and in process of settlement, claims reported but not yet processed for settlement, and claims incurred for services provided but not yet reported or processed for settlement). The estimated actuarial liability reflects certain assumptions, which include such factors as enrollment and utilization. Adjustments to the estimated actuarial liability for the final settlement of claims will be reflected in the year that actual results of the settlement of the claims are made and are known.

As of June 30, 2010 and 2009, \$6,523,046 and \$6,596,289, respectively, is included in accrued medical claims and capitation fee expenses for accrued HMO capitation expenses. Additionally, \$51,118,690 and \$57,314,381 at June 30, 2010 and 2009, respectively, is included in estimated accrued medical costs for claims incurred but not yet paid under the Plan's self-funded products. Although management believes these estimates are adequate, the ultimate liability may be more or less than the amounts recorded. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in current operations. Contingent liabilities exist with respect to claims covered under the Plan in the event a contracted provider or carrier is unable to meet its obligations to the Plan. Changes in estimated accrued claims for fiscal years 2010 and 2009 can be viewed in the table below:

Summary of Changes in Estimated Accrued Claims

	2010 ISF	2010 SRWBT	2009 ISF	2009 SRWBT
Balance at beginning of year	\$ 46,036,381	\$ 11,278,000	\$ 38,094,100	\$ 10,451,100
Current year claims and changes in estimates	247,792,744	103,454,968	262,059,415	106,326,874
Claim payments	<u>(252,512,435)</u>	<u>(104,930,968)</u>	<u>(254,117,134)</u>	<u>(105,499,974)</u>
Balance at end of year	<u>\$ 41,316,690</u>	<u>\$ 9,802,000</u>	<u>\$ 46,036,381</u>	<u>\$ 11,278,000</u>

J. Retirement Plan

All of the Plan's full-time employees are eligible to participate in the Missouri State Employees' Plan (MSEP). MSEP is a single-employer public employee retirement plan of the State of Missouri administered in accordance with Sections 104.010 and 104.312 to 104.1093 of the Revised Statutes of Missouri. Benefits are established by and can be amended by the State of Missouri legislative process. Responsibility for the operation and administration of MSEP is vested in the Missouri State Employees' Retirement System (MOSERS) Board of Trustees. MSEP provides retirement, death and disability benefits to participants and their beneficiaries. MSEP is considered a part of the State of Missouri financial reporting entity and is included in the State's financial reports as a pension trust fund. MSEP issues a stand-alone report, which may be obtained by contacting the MOSERS office located at 907 Wildwood Drive, PO Box 209, Jefferson City, MO 65102.

With respect to the Plan, MSEP is accounted for and reported as a cost-sharing pension plan. Plan payroll for employees covered by MSEP for the years ended June 30, 2010 through 2008 was approximately \$3.1 million for fiscal year 2010 and approximately \$3.3 and \$3.1 million for the years ended June 30, 2009 and 2008, respectively. These amounts also represent the Plan's total payroll, excluding related benefits. The Plan made 100 percent of its actuarially determined required contributions for the years ended June 30, 2010, 2009, and 2008, which were approximately \$394,000, \$418,000 and \$402,000, respectively. These contributions represented 12.75 percent, 12.53 percent, and 12.84 percent, respectively, of covered payroll, and are included in payroll and related benefit expenses. Employees are not required to make contributions.

K. Deferred Compensation Plan

Effective Sept. 1, 2007, legislation transferred responsibility for the administration of the Missouri State Employees’ Deferred Compensation Program to the MOSERS Board of Trustees. On July 1, 2008, the plan administrator, Citistreet, joined ING to become ING Institutional Plan Services. Together as ING, the organization is one of the largest defined-contribution plan providers and also provides defined benefit and health and welfare services. Effective July 31, 2008, employees are eligible upon hire to contribute to the deferred compensation plan and upon completing one year of employment are eligible to receive a maximum \$35 contribution if the employee also makes at least a \$35 contribution. Prior to July 31, 2008, the maximum rate per month was \$25 if the employee also made a \$25 contribution. In March 2010, the State suspended the employer contribution.

The Deferred Compensation Plan is an eligible State deferred compensation plan as defined by Section 457 of the Internal Revenue Code. Effective January 1, 1999, amounts deferred under the plan are held in trust for the exclusive benefit of the plan participants and their beneficiaries.

L. Employee Assistance Program

An employee assistance benefit program is offered to all State employees and their immediate families. The program, serviced through Magellan Health Services, offers six free mental health counseling sessions per problem, per year and can be accessed 24 hours a day through a toll-free number.

M. Post-Employment Retiree Health Care

For the year ended June 30, 2008, MCHCP also adopted GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. However, all State agencies and component units are included in the State’s post-employment retiree health care calculations. Thus, separate information is not available for MCHCP, which is a component unit of the State. For fiscal year 2010 and 2009, respectively, MCHCP contributed \$162,249 and \$164,707 for its employees in accordance with the State’s funding policy toward the annual required contribution (ARC) for post-employment retiree health care. These financial statements include the OPEB Plan in which MCHCP participates. See note H for further information regarding the OPEB plan.

Schedule of Percentage of OPEB Cost Contributed

*Actual contributions in fiscal 2010 of \$74.4M, which equals \$56.1M for the State’s net benefit payments and administrative costs, plus an additional contribution to the trust of \$18.3M.

Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed*	Net OPEB Obligation
June 30, 2010	\$95,333,585	78.0%	\$90,487,47

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REQUIRED SUPPLEMENTARY INFORMATION//GETTING THE SPECIFICS



Schedule of Claims Development

State Actives and Retirees

	FY 2010 (Total)	FY 2010 (Active)	FY 2010 (Retiree)	FY 2009 (Total)
	July 1, 09 - June 30, 10	July 1, 09 - June 30, 10	July 1, 09 - June 30, 10	July 1, 08 - June 30, 09
Required contribution and investment income	\$573,512,364	\$436,713,165	\$136,799,199	\$490,081,984
Administrative expenses	\$30,509,743	\$22,882,308	\$7,627,435	\$15,060,109
Estimated incurred claims and expenses end of policy year	\$543,002,621	\$413,830,857	\$129,171,764	\$468,401,641
Paid Claims Summary				
	FY 2010 (Total)	FY 2010 (Active)	FY 2010 (Retiree)	FY 2009 (Total)
Paid (cumulative) as of:	July 1, 09 - June 30, 10	July 1, 09 - June 30, 10	July 1, 09 - Jun 30, 10	July 1, 08 - June 30, 09
End of policy year	\$403,561,000	\$313,932,000	\$89,629,000	\$388,429,000
One year later	*	*	*	\$421,369,000
Two years later	*	*	*	*
Incurred Claims Summary				
Re-estimated incurred claims and expenses:	FY 2010 (Total)	FY 2010 (Active)	FY 2010 (Retiree)	FY 2009 (Total)
	July 1, 09 - June 30, 10	July 1, 09 - June 30, 10	July 1, 09 - Jun 30, 10	July 1, 08 - June 30, 09
End of policy year	\$445,127,000	\$347,411,000	\$97,716,000	\$439,261,000
One year later	*	*	*	\$421,699,000
Two years later	*	*	*	*
Increase (decrease) in estimated incurred claims and expenses from end of policy year	\$97,875,621	\$66,419,857	\$31,455,764	\$29,140,641

*Data not yet available

Note: Includes medical and drug claims only. This does not include the UHC HDHP and Medicare Supplement Plan. For FY2010, it includes claims for UMR Copay and PPO 300 Plans. For incurred claims, there is no margin included for IBNR. Incurred claims estimates reflect revised IBNR amounts provided to MCHCP on 11/24/2010.

FY 2009 (Active)	FY 2009 (Retiree)	FY 2008	FY 2007
July 1, 08 - June 30, 09	July 1, 08 - June 30, 09	July 1, 07 - June 30, 08	July 1, 06 - June 30, 07
\$342,746,170	\$147,335,814	\$464,275,646	\$381,255,744
\$11,445,683	\$3,614,426	\$13,806,748	\$13,322,210
\$373,413,711	\$94,987,930	\$418,738,680	\$383,798,278
FY 2009 (Active)	FY 2009 (Retiree)	FY 2008 (Total)	FY 2007
July 1, 08 - June 30, 09	July 1, 08 - June 30, 09	July 1, 07 - June 30, 08	July 1, 06 - June 30, 07
\$301,311,000	\$87,118,000	\$345,506,000	\$313,284,000
*	*	\$392,432,000	\$352,143,000
*	*	\$392,671,000	\$352,013,000
FY 2009 (Active)	FY 2009 (Retiree)	FY 2008 (Total)	FY 2007
July 1, 08 - June 30, 09	July 1, 08 - June 30, 09	July 1, 07 - June 30, 08	July 1, 06 - June 30, 07
\$341,983,000	\$97,278,000	\$393,897,000	\$356,202,000
*	*	\$392,826,000	\$352,013,000
*	*	\$392,671,000	\$352,013,000
\$31,430,711	(\$2,290,070)	\$25,912,680	\$31,785,278

Schedule of Funding Progress

SRWBT
\$ in Millions

Fiscal Year Ending	Actuarial Value of Assets(a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll** (c)	UAAL as a Percentage of Covered Payroll* [(b) - (a) / (c)]
June 30, 2010	\$73.2	\$1,304.4	\$1,231.2	5.6%	\$1,614.0	76.3%
June 30, 2009	\$48.7	\$1,629.9	\$1,581.2	3%	\$1,638.1	96.5%
June 30, 2008	\$15.6	\$1,276.3	\$1,260.3	1.3%	\$1,572.9	80.1%

The schedule of funding progress presents multi-year trend information comparing the actuarial value of plan assets to the actuarial accrued liability (in millions).
*Payroll projected to June 30, 2008 at 4% annual increase payroll of \$1,512.4M of July 1, 2007.

Schedule of Employer Contributions

SRWBT
\$ in Millions

Fiscal Year Ending	Annual Required Contributions	Actual Contributions	Percentage Contributed
June 30, 2010	\$93,864,650	\$74,384,744	79.2%
June 30, 2009	\$124,511,154	\$91,446,684	73.4%
June 30, 2008	\$104,479,000	\$68,826,500*	65.9%

The State provided benefit payments and administrative costs of \$56.1M and an additional contribution to the trust of \$18.3M in fiscal 2010. The Statement of Changes in Plan Net Assets provides more details concerning these amounts.
*This equals State provided benefit payments and administrative costs of \$53.36M and an additional contribution to the trust of \$15.46M in fiscal 2008.

Schedule of Percentage of OPEB Cost Contributed

Fiscal Year Ending	Annual OPEB Cost	Percentage of OPEB Cost Contributed*	Net OPEB Obligation
June 30, 2010	\$95,333,585	78.0%	\$90,487,047
June 30, 2009	\$125,340,490	73.0%	\$69,538,206
June 30, 2008	\$104,470,900	65.9%	\$35,644,400

*Actual contributions for fiscal years 2010 of \$74.4M which equals \$56.1M for the State's net benefit payments and administrative costs, plus an additional contribution to the trust of \$18.3M.

Summary of Key Actuarial Methods and Assumptions

	FY 2010	FY 2009	FY 2008
Valuation Year:	July 1, 2009 – June 30, 2010	July 1, 2008 – June 30, 2009	July 1, 2007 – June 30, 2008
Actuarial cost method	Entry age normal, level percent of pay	Entry age normal, level percent of pay	Entry age normal, level percent of pay
Amortization method	30 years, open, level percent of pay	30 years, open, level percent of pay	30 years, open, level percent of pay
Asset valuation method	Market value	Market value	Market value
Actuarial assumptions:			
Discount rate	7.0%	7.5%	7.8%
Projected payroll growth rate	4.0%	4.0%	4.0%
Health care cost trend rate (Medical and prescription drugs combined)	8.33% in fiscal year 2010, decreasing by 2/3% per year to an ultimate of 5.0% in fiscal 2015 and after	9% in fiscal year 2009, decreasing by 2/3% per year to an ultimate of 5.0% in fiscal 2015 and after	10% in fiscal year 2008, decreasing by 1% per year to an ultimate of 5.0% in fiscal 2013 and after

STATISTICAL INFORMATION//CHARTING PROGRESS



Internal Service Fund Historical Data

Revenues by Source

Ten Years Ended
June 30, 2010

Fiscal Year	State/Employer Contributions	Member Contributions	Public Entity Income	Pharmacy Rebates and Subsidy	Total Operating Revenues	Investment and other Income
2010*	\$356,953,666	\$73,309,792	\$10,295,456	\$5,344,809	\$445,903,723	\$1,104,898
2009*	270,289,644	65,348,201	9,966,190	4,603,754	350,207,789	2,504,570
2008*	276,886,166	57,339,368	10,008,570	5,033,832	349,267,936	7,099,139
2007	362,001,092	93,152,562	9,121,094	10,150,614	474,425,362	9,104,038
2006	319,465,109	84,069,097	8,989,197	8,104,447	420,627,850	5,928,270
2005	322,984,426	79,112,936	12,455,591	5,306,796	419,859,749	2,492,453
2004	281,657,137	84,756,549	18,201,930	5,169,299	389,784,915	765,034
2003	263,544,820	84,372,737	26,378,699	4,610,566	378,906,822	668,168
2002	222,987,803	75,701,524	37,630,463	—	336,319,790	968,329
2001	169,804,969	62,083,511	76,430,017	—	308,318,497	2,157,472

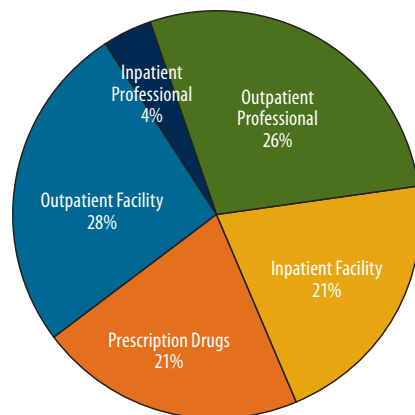
Expenses by Type

Ten Years Ended
June 30, 2010

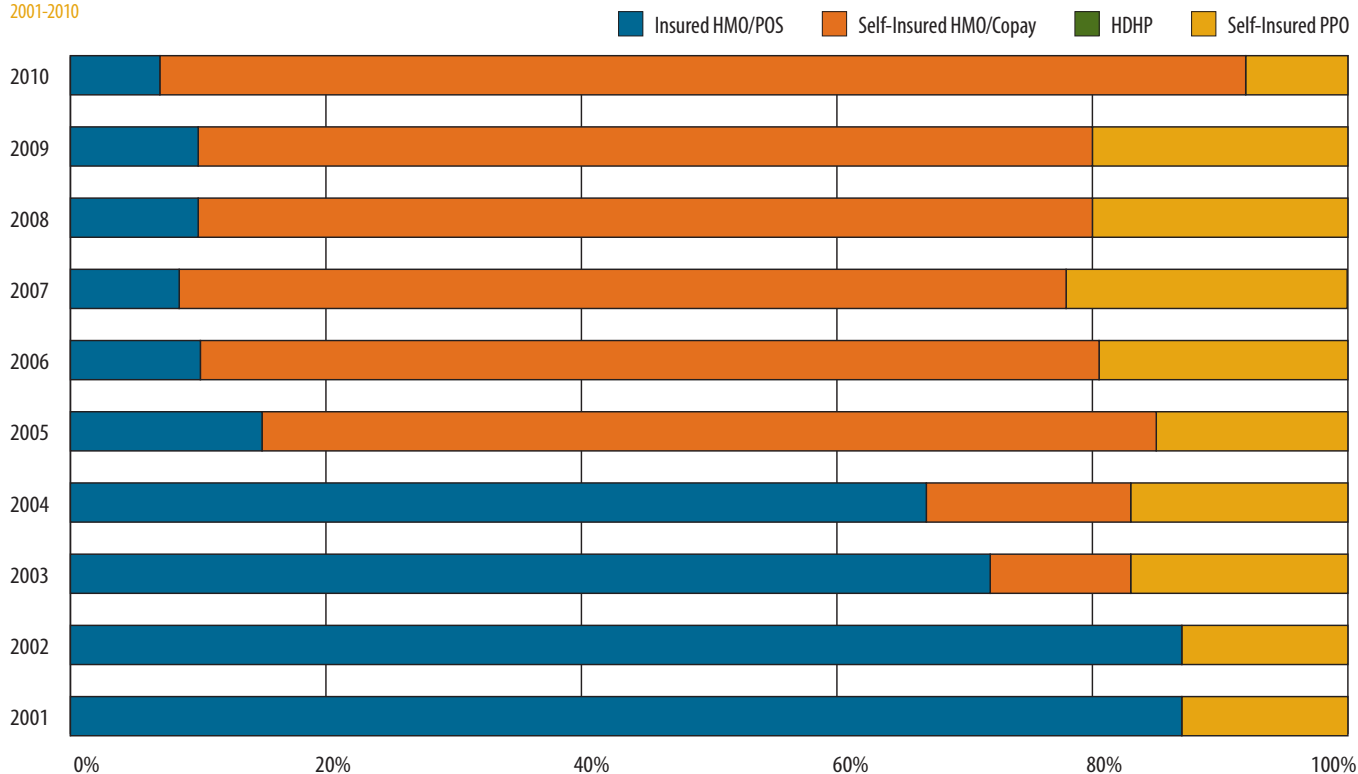
*Activity for 2010, 2009 and 2008 is presented for active members only.

Fiscal Year	Medical Claims/ Capitation and Health Administrative Services	Administration and Payroll	Other	Total Operating Expenses and Fees	Loss on Disposal of Fixed Assets
2010*	\$422,117,593	\$4,275,900	\$2,230,997	\$428,624,490	—
2009*	431,216,276	4,809,936	2,117,078	438,143,290	—
2008*	376,273,599	4,451,041	1,823,192	382,547,832	—
2007	437,756,208	5,597,367	1,975,742	445,329,317	—
2006	396,446,979	5,309,717	2,108,558	403,865,254	—
2005	383,918,636	5,290,374	1,697,269	390,906,279	—
2004	366,923,269	5,364,366	1,549,405	373,837,040	(24,050)
2003	348,145,907	5,619,962	1,610,952	355,376,821	—
2002	334,208,591	5,314,606	1,795,708	341,318,905	(1,722)
2001	306,651,524	5,553,262	1,995,988	314,200,774	(5,101)

Distribution of Claim Payments
State Members
FY 2010



Total Lives by Health Care Option
State Members
2001-2010



Statements of Revenues, Expenses and Change in Net Assets

Internal Service Fund

Ten years ended June 30, 2010

	2010	2009	2008	2007
Operating revenues:				
State/employer contributions	\$ 356,953,666	\$ 270,289,644	\$ 276,886,166	\$ 362,001,092
Member contributions	73,309,792	65,348,201	57,339,368	93,152,562
Public entity contributions	10,295,456	9,966,190	10,008,570	9,121,094
Pharmacy rebates	5,344,809	4,603,754	5,033,832	5,678,206
Medicare Part D subsidy	—	—	—	4,472,408
Total operating revenues	445,903,723	350,207,789	349,267,936	474,425,362
Operating expenses:				
Medical claims and capitation expense	405,742,184	411,593,266	357,621,982	414,402,466
Claims administration services	13,711,789	15,104,342	14,432,722	17,604,641
Payroll and related benefits	3,365,166	3,605,582	3,291,979	4,123,871
Health management	2,663,620	4,518,668	4,218,895	5,749,101
Administration	910,734	1,204,354	1,159,062	1,473,496
Professional services	1,132,392	1,137,039	907,127	816,500
Employee Assistance Program	757,934	696,380	674,601	881,723
Depreciation	340,671	283,659	241,464	277,519
Total operating expenses	428,624,490	438,143,290	382,547,832	445,329,317
Operating revenues over (under) operating expenses	17,279,233	(87,935,501)	(33,279,896)	29,096,045
Nonoperating revenues (expenses):				
Investment and other income	1,104,898	2,504,570	7,099,139	9,104,038
Loss on disposal of furniture, fixtures and equipment	—	—	—	—
Other nonoperating expenses	—	—	—	—
Change in the net assets	18,384,131	(85,430,931)	(26,180,757)	38,200,083
Net assets, beginning of year	20,794,594	106,225,525	132,406,282	94,206,199
Net assets, end of year	\$ 39,178,725	\$ 20,794,594	\$ 106,225,525	\$ 132,406,282

	2006		2005		2004		2003		2002		2001
\$	319,465,109	\$	322,984,426	\$	281,657,137	\$	\$264,052,867	\$	\$222,987,803	\$	169,804,969
	84,069,097		79,112,936		84,756,549		84,372,737		75,701,524		62,083,511
	8,989,197		12,455,591		18,201,930		26,378,699		37,630,463		76,430,017
	5,539,208		5,306,796		5,169,299		—		—		—
	2,565,239		—		—		—		—		—
	420,627,850		419,859,749		389,784,915		374,804,303		336,319,790		308,318,497
	376,750,654		370,454,024		357,845,282		338,173,615		331,099,846		306,651,524
	16,857,025		13,464,612		9,077,987		5,869,772		3,108,745		—
	3,887,880		3,920,693		3,785,291		3,753,395		3,697,765		3,590,842
	2,839,300		—		—		—		—		—
	1,421,837		1,369,681		1,579,075		1,866,567		1,616,841		1,962,420
	1,004,715		633,549		416,113		417,463		626,456		850,023
	874,492		868,345		873,428		912,175		889,080		917,299
	229,351		195,375		259,864		281,314		280,172		228,666
	403,865,254		390,906,279		373,837,040		351,274,301		341,318,905		314,200,774
	16,762,596		28,953,470		15,947,875		23,530,002		(4,999,115)		(5,882,277)
	5,928,270		2,492,453		765,034		668,168		968,329		2,157,472
	—		—		(24,050)		—		(1,722)		(5,101)
	—		—		1,220		(7,460)		—		—
	22,690,866		31,445,923		16,690,079		24,190,710		(4,032,508)		(3,729,906)
	71,515,333		40,069,410		23,379,331		(811,379)		3,221,129		6,951,035
\$	94,206,199	\$	71,515,333	\$	40,069,410	\$	23,379,331	\$	(811,379)	\$	3,221,129

Schedule of Net Assets by Component

Fiscal Years 2003 through 2010

	2010	2009	2008	2007	2006	2005	2004	2003
Net assets:								
Investment in capital assets, net of liabilities	\$ 418,325	\$ 488,735	\$ 447,943	\$ 400,575	\$ 337,958	\$ 371,501	\$ 429,318	\$ 589,457
Unrestricted	38,760,400	20,305,859	105,777,582	132,005,707	93,868,241	71,143,832	39,640,092	22,789,874
Total net assets	\$ 39,178,725	\$ 20,794,594	\$ 106,225,525	\$ 132,406,282	\$ 94,206,199	\$ 71,515,333	\$ 40,069,410	\$ 23,379,331

Note: Due to reporting format changes prescribed by GASB Statement No. 34, only fiscal years 2003-2009 are presented.

Full-Time Employees

Last ten fiscal years

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Department:										
Executive and Administration	4.46	3.61	3.85	4	4	4.5	5	5.68	6.5	6.91
Operations	52.8	58.98	57.07	58.06	59.65	62.42	63.57	63.49	63.85	63.52
General Counsel	.75	1	1	1	1	1	1	.98	.8	-
Internal Audit	2.96	3	3	2.88	.004	-	-	-	-	-
Human Resources	1.48	2	2	1.62	2	2	1.67	2	2	2
Fiscal	6	6	6	5.6	6	6	6.88	6.96	7	6.87
Total	68.45	74.59	72.92	73.16	72.69	75.92	78.12	79.11	80.15	79.3

State Membership Enrolled in MCHCP

Subscribers and Dependents

Ten Years Ended
June 30, 2010

Summary

Average Age:
38.17 Years

Percent of Total:
Male - 43.09%
Female - 56.91%

Age	ACTIVE		COBRA		DISABLED		RETIREEES		SURVIVORS		VESTED		TOTAL
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	
< 1	295	357	1			1						1	655
1 - 10	6,245	6,617	15	13	1	1	22	12	4	1	2	3	12,936
11 - 19	7,371	7,743	7	15	17	7	94	97	15	18	5	10	15,399
20 - 24	3,612	3,683	8	7	10	11	146	168	6	14	3	5	7,673
25 - 29	2,743	1,720	16	5		3	11	13	3			1	4,515
30 - 34	3,200	1,844	5	5	3		5	7			1		5,070
35 - 39	3,604	2,101	8	1	7	1	3	4		1	6	3	5,739
40 - 44	3,970	2,417	15	7	9	7	10	4	1	1	7	4	6,452
45 - 49	4,788	2,908	14	7	25	13	25	12		4	8	6	7,810
50 - 54	4,990	3,216	17	15	44	14	370	108	13	1	29	11	8,828
55 - 59	4,081	3,047	29	9	36	18	1,444	722	21	5	30	10	9,452
60 - 64	2,465	2,149	22	14	26	12	2,344	1,390	43	18	8	11	8,502
65 - 69	521	703	3	2	1	2	2,034	1,277	67	16	1	4	4,631
70 - 74	123	154			1	1	1,661	1,055	92	34			3,121
75 - 79	25	32					1,215	772	127	24			2,195
80 +	8	12					1,445	652	293	35	1	1	2,447
TOTAL	48,041	38,703	160	100	180	91	10,829	6,293	685	172	101	70	105,425
2010	Total Active 86,744		Total COBRA 260		Total Disabled 271		Total Retirees 17,122		Total Survivors 857		Total Vested 171		Total 105,425
2009	88,277		189		351		16,802		852		210		106,681
2008	85,884		135		390		16,538		821		254		104,022
2007	84,585		189		424		16,154		820		267		102,439
2006	83,129		192		466		15,668		819		298		100,572
2005	86,459		185		515		15,351		800		296		103,606
2004	85,200		181		541		15,128		792		326		102,168
2003	88,123		249		676		13,392		765		336		103,541
2002	90,639		295		658		12,997		725		377		105,691
2001	91,610		363		668		12,408		703		505		106,257

Public Entity Membership Enrolled in MCHCP

Subscribers and Dependents

Ten Years Ended
June 30, 2010

Summary

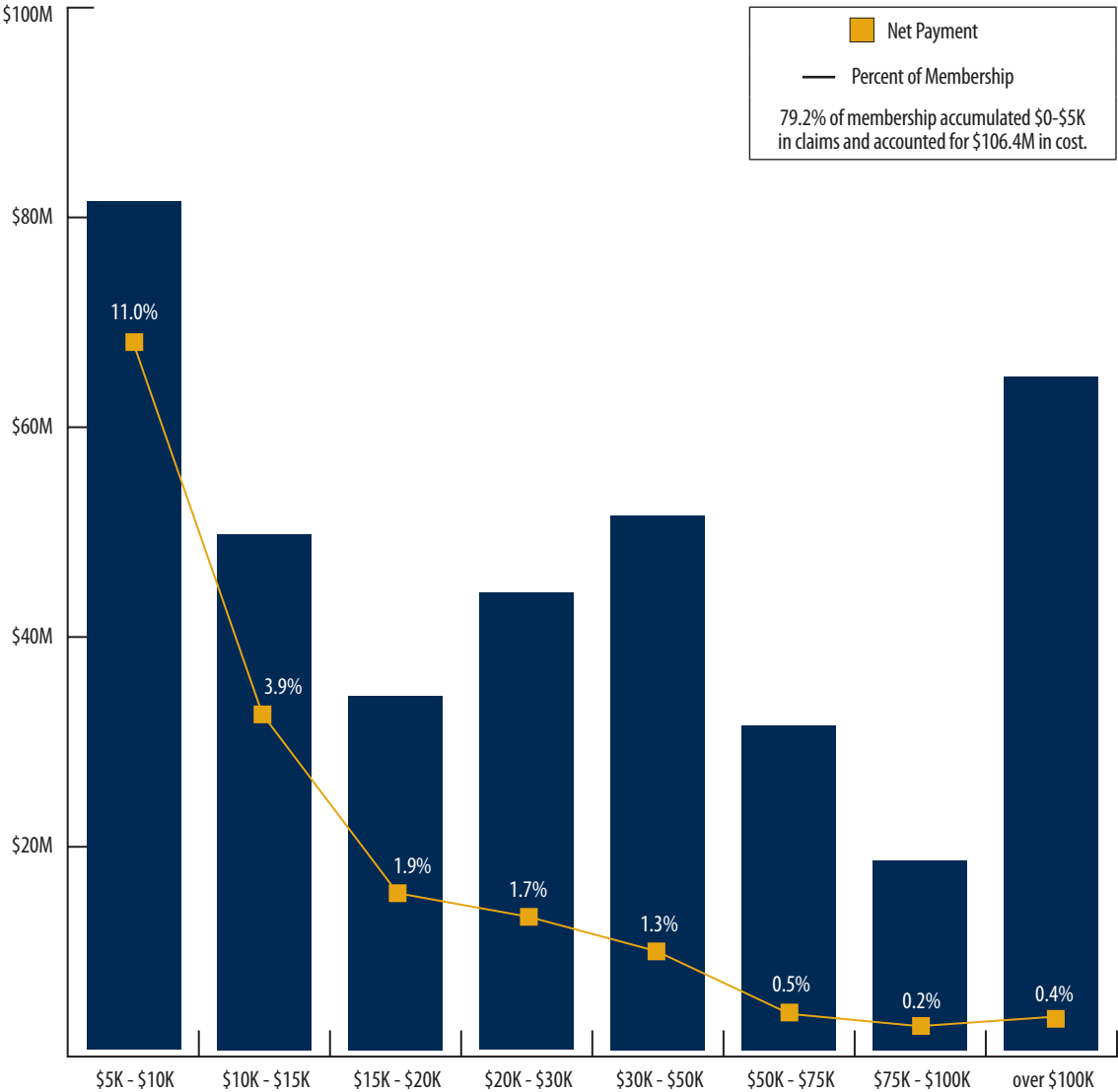
Average Age:
41.8 Years

Percent of Total:
Male - 39.48%
Female - 60.52%

Age	ACTIVE		COBRA		RETIREEES		TOTAL
	Female	Male	Female	Male	Female	Male	
< 1	7	7					14
1 - 10	43	37					80
11 - 19	51	58					109
20 - 24	43	46	1				90
25 - 29	56	53		1			110
30 - 34	75	39	1				115
35 - 39	91	48					139
40 - 44	81	46					127
45 - 49	115	59	2				176
50 - 54	131	73	2	1			208
55 - 59	141	77	1	2	3	1	225
60 - 64	91	55	5		2	2	155
65 - 69	24	17				1	42
70 - 74	12	12			4	3	31
75 - 79	2	1					3
80 +							0
TOTAL	963	631	12	4	9	7	1,626
2010	Total Active 1,594		Total COBRA 16		Total Retirees 16		Total 1,626
2009	1,590		16		7		1,613
2008	1,752		13		18		1,783
2007	1,851		18		11		1,880
2006	1,795		11		14		1,820
2005	1,654		5		24		1,683
2004	3,595		37		92		3,724
2003	4,900		47		122		5,069
2002	8,324		105		310		8,739
2001	15,217		183		525		15,925

Paid Claims Distribution by Individual

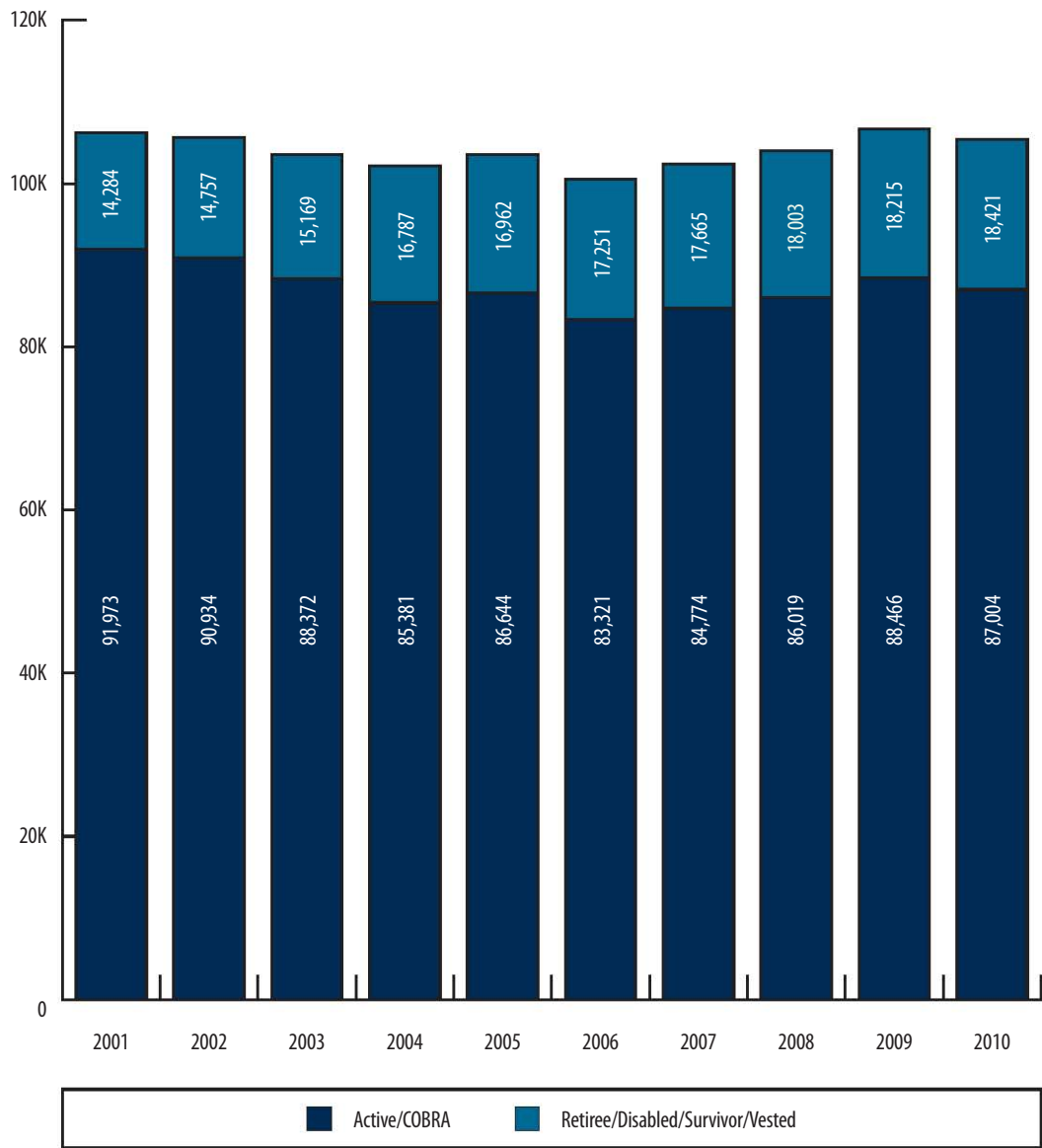
State Members - FY 2010



Enrollment Distribution

State Plan Demographics

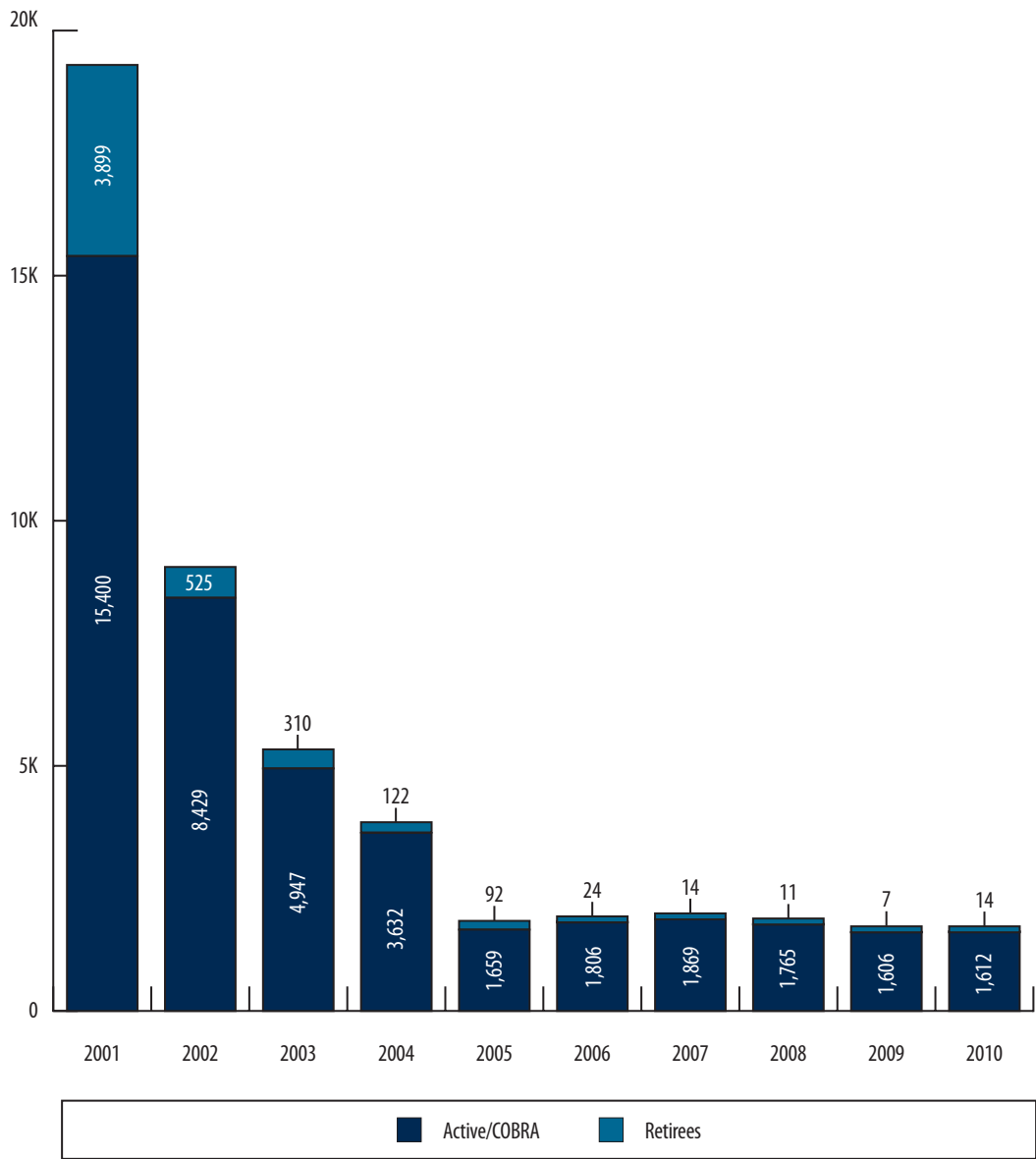
FY 2001- FY 2010



Enrollment Distribution

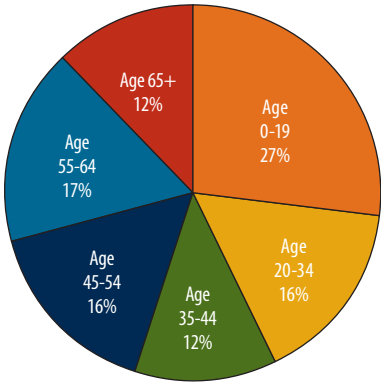
Public Entity Plan Demographics

FY 2001 - FY 2010

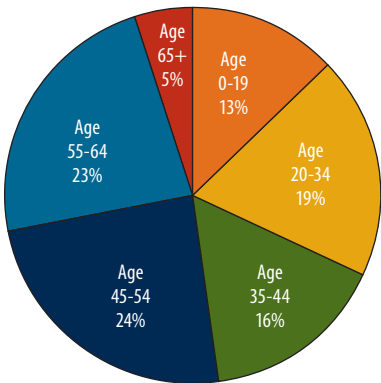


Plan Demographics

State Plan Demographics
FY 2010



Public Entity Plan Demographics
FY 2010





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